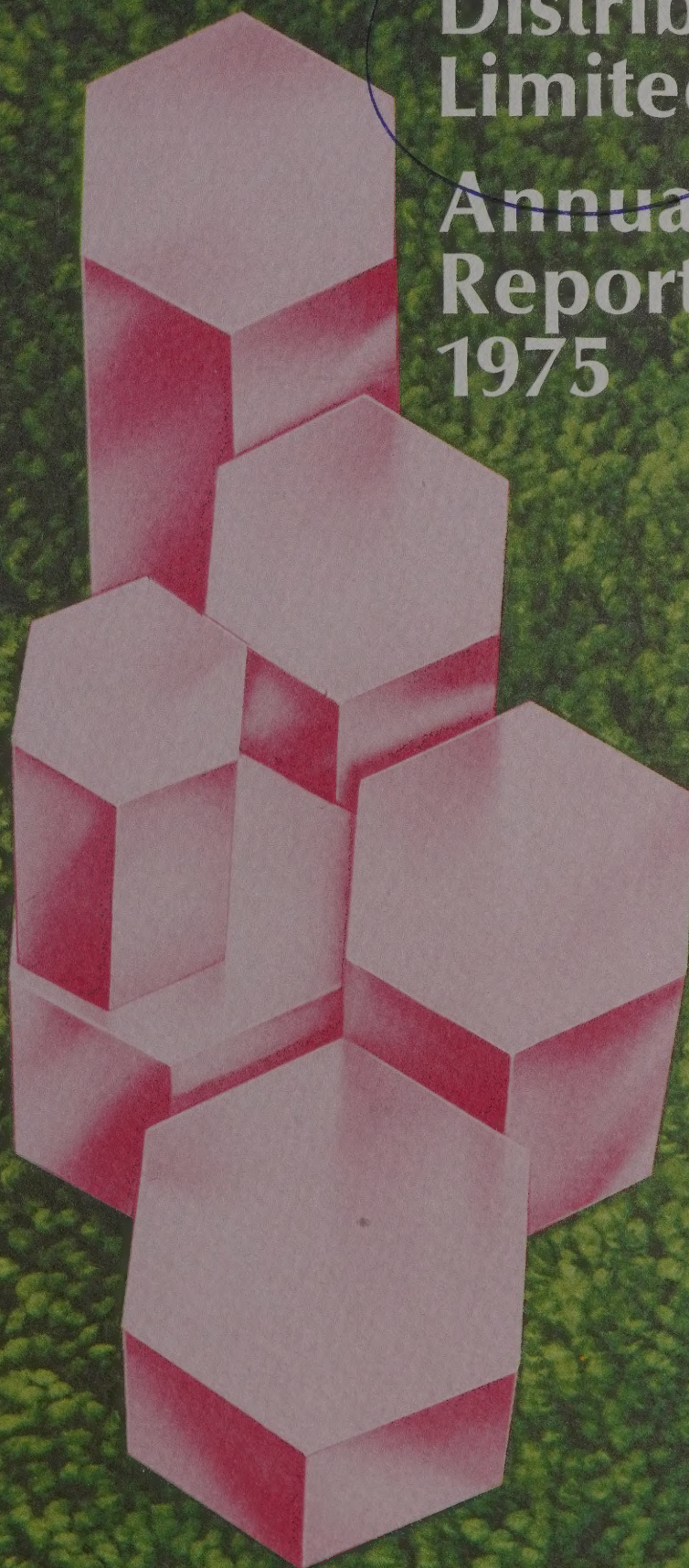


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Handwritten signature
**Gesco
Distributing
Limited**

**Annual
Report
1975**





Gesco Distributing Limited means people

Directors

I. H. Asper, Q.C., Barrister and Solicitor, Winnipeg
H. R. Bennett, Partner, Richardson Securities of Canada, Toronto
R. R. Hall, Q.C., Barrister and Solicitor, Toronto
Allan Shnier, Winnipeg
Cecil Shnier, Winnipeg
Irving Shnier, Toronto
Norman Shnier, Toronto
Philip Shnier, Toronto

Officers

Irving Shnier, President
Norman Shnier, Vice-President, Chief Executive Officer
Allan Shnier, Vice-President
Philip Shnier, Vice-President
Cecil Shnier, Vice-President and Secretary
A. E. Rosenhek, Vice-President
E. M. Casey, M.C.I., Treasurer, National Credit Manager
K. H. McManus, R.I.A., C.I.M., P.Mgr., Controller, Administration Manager

Transfer Agent and Registrar

The Royal Trust Company, Halifax, Montreal, Toronto, Winnipeg, Calgary and Vancouver

Auditors

Touche Ross & Co., Toronto

Listed on

The Toronto Stock Exchange

Head Office

1965 Lawrence Avenue West, Weston, Ontario

Financial Highlights

	1975	1974
Sales	\$60,484,000	\$55,578,000
Income from operations (before depreciation and interest)	\$ 3,613,000	\$ 3,762,000
Net income	\$ 1,309,000	\$ 1,532,000
Earnings per share	\$ 1.28	\$ 1.49
Number of shares outstanding	1,025,000	1,025,000
Working capital	\$ 8,241,000	\$ 7,318,000
Current ratio	1.56/1	1.42/1
Inventory	\$11,408,000	\$12,341,000
Receivables	\$11,195,000	\$12,380,000
Sinking Fund Debentures	\$ 1,079,000	\$ 1,134,000
Shareholders' Equity	\$ 8,197,000	\$ 6,888,000

The annual meeting of the shareholders will be held at the company's head office, 1965 Lawrence Avenue West, Weston, Ontario on Wednesday, March 3, 1976 at 10 a.m.

GESCO Distributing Limited

1965 Lawrence Ave. W.
Weston, Ontario
M9N 1H5
Telephone 244-5551

To our shareholders

As projected in our previous report, GESCO DISTRIBUTING LIMITED experienced a levelling in its sales growth during the fiscal year ending September 26, 1975. Sales for the period were \$60,484,000 compared with \$55,578,000 in the previous year. Sales performance as reported by other companies in our fields of business appeared to have declined generally. GESCO was able to increase its sales by adding to the product lines distributed by our various Operating Units. Our sales increase was 9%; the increase for the previous period was 33%.

Profits were \$1,308,934 or \$1.28 per share, compared with \$1,531,559 or \$1.49 per share the previous year. The profit per share in the latest year is after a distribution through the GESCO Employee Participation Plan of approximately .08 cents per share. There was no similar distribution in the previous year. Shareholders' equity at the fiscal year end stood at \$8,196,991 or \$8.00 per share.

Our expanded Calgary facility and the new G. E. Shnier Co. branch in Thunder Bay are now in operation. Physical expansion planned for the current fiscal year includes the opening of a General Foam and Cushion Fabricating plant in Alberta, expansion of the G. E. Shnier Co. warehouse in Edmonton, opening of G. E. Shnier Co. and Cardinal Industries branches in Quebec City, and expansion in the Maritime provinces of Canada.

In July 1975, G. E. Shnier Co. commenced distribution of Richmond Carpets. Richmond Carpets is a proprietary brand name owned by GESCO DISTRIBUTING LIMITED. The carpets produced are manufactured to GESCO's specifications by various manufacturers and are designed to complement existing National Brand Name carpets also distributed by G. E. Shnier Co. Richmond Carpets are definitely filling a gap in the G. E. Shnier Co. product mix and sales are encouraging to date, and the broader range of carpets presented has had a positive effect on the sales of all carpets that the Company distributes.

The fiscal period under review was the first year of operation of the GESCO DISTRIBUTING LIMITED Employee Participation Plan. The Company distributed to qualified employees over \$160,000 as their share in the company's profits. A portion of these funds was paid to the accounts of individual participants in a Deferred Profit Sharing Plan, and a (larger) portion was distributed in cash. Through the Deferred Profit Sharing Plan, Gesco employees become shareholders in GESCO, further encouraging their interest in the Company's profit performance.

Shortly after our fiscal year end, the Government of Canada announced its anti inflation program. Gesco agrees in general with the need to hold inflation in check and with the methods proposed, and certainly intends to comply with the spirit of the legislation. It is to be hoped that our Governments at all levels, will show the necessary courage to keep their own spending in check, and that they will provide the leadership essential in the battle against inflation. The guidelines appear to emphasize that there will be no inhibition on increased earnings through increased productivity, and Gesco is pleased that the Government recognizes the need to highlight productivity improvements as a factor in combating inflation. Gesco employees will have opportunities of increasing their earnings through increments within the guidelines, through the Employee Participation Plan, and through measurable increases in productivity.

GESCO Distributing Limited

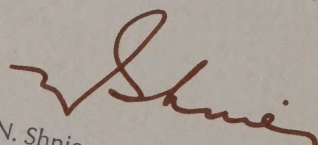
- 2 -

Our joint enterprise named Profile Expanded Plastics Limited, in which GESCO has invested together with Caplan Profile Group Limited of England, went into production in 1975 on schedule. Interest in the expanded polystyrene sofa and chair frames that this venture produces continues high.

Gesco's sales outlook for the 1975-76 fiscal year is for a sales increase slightly larger than experienced in the year just completed. Although expenses involved in the physical distribution functions — such as warehousing and transportation — will continue to increase — our profits should continue to improve through increases in sales and improvements in productivity, providing the government anti inflation program is to any degree effective.

Mr. I. H. Asper, Q.C., who has been a director since our inception as a public company, and acted as general counsel to it and its predecessor companies for many years, has informed us that other commitments prevent him from continuing on our board. We wish to express our appreciation for his many years of service as a Director, and are pleased that he has indicated his continuing availability as legal counsel. Mr. Nathan Starr, C.A., has been nominated to fill the vacancy on our board. Mr. Starr is a prominent Canadian businessman. His experience in both the financial and operational sides of business is expected to be of great value to Gesco.

Gesco's Service and Product Managers and their personnel enabled the Company to increase sales in a year when many companies in our fields experienced decreases, and for this accomplishment a special note of appreciation is extended, along with thanks to our entire staff for their fine efforts throughout the year. Also thanks and appreciation are due to our Manufacturers and Principals who have maintained high standards of quality and continuity of supply, and to our dealer and contractor clients who have provided the ultimate service to the public.

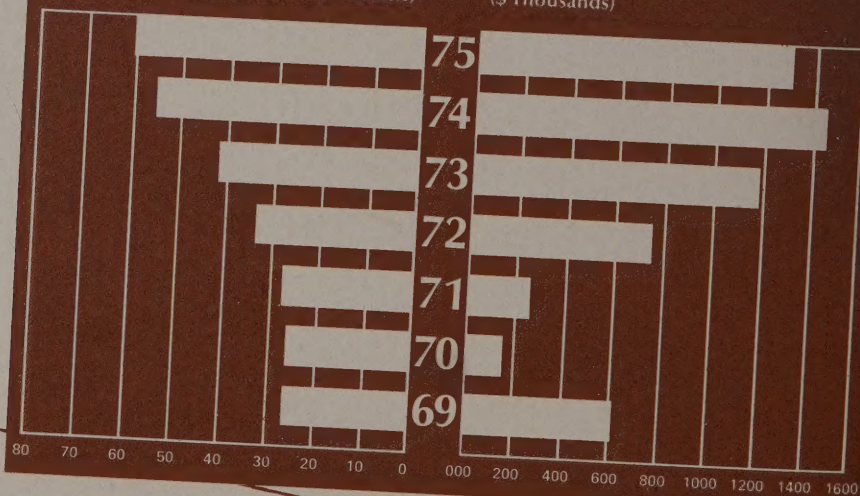


N. Shnier
Chief Executive Officer
February, 1976.

Financial Review

Net Sales
(\$ Millions)

Net Income
(\$ Thousands)



Gesco People...

Gesco Employee Participation Plan



Senior Gesco Distributing Limited staff members Mrs. E. Dennison, Accounting Supervisor, left, and Mrs. B. Topham, Executive Assistant, right, accept their first cheques for the cash portion of the first pay-out from Mr. Norman Shnier, C.E.O.



Senior warehouse employees Bill Moxey, left, and Jim Reid, right, accept their cheques from Mr. Philip Shnier, V.P. and General Manager, G. E. Shnier Co.

The inaugural year of the Gesco Employee Participation Plan was the fiscal year ending September 26th, 1975. A percentage of the company profits is paid into a fund and participants are allocated cash payments based on their earnings and other factors, and deferred payments through the purchase by the fund of shares of Gesco Distributing Limited, for the accounts of the participants.

Statement of Income

For the Year Ended September 26, 1975

(with comparative figures for 1974)

	1975	1974
Sales	\$60,483,854	\$55,578,456
Profit on redemption of debentures	\$ 3,369	\$ 4,135
Income from operations before the following charges	3,613,106	3,761,643
	3,616,475	3,765,778
Depreciation and amortization of fixed assets ..	178,423	137,835
Amortization of other assets	5,260	7,700
Interest (including interest on long-term debt of \$87,987; 1974 - \$91,580)	796,458	652,484
	980,141	798,019
Income before provision for income taxes	2,636,334	2,967,759
Provision for income taxes	1,327,400	1,436,200
Net income for the year	\$ 1,308,934	\$ 1,531,559
Earnings per share (based on 1,025,000 shares outstanding)	\$1.28	\$1.49

Statement of Changes in Financial Position

For the Year Ended September 26, 1975

(with comparative figures for 1974)

	1975	1974
Source of funds		
From operations		
Net income for the year	\$1,308,934	\$1,531,559
Add non-cash charges		
Depreciation and amortization of fixed assets	178,423	137,835
Amortization of other assets	5,260	7,700
Increase in deferred income taxes	76,000	96,000
Total from operations	1,568,617	1,773,094
Disposal of fixed assets at net book value	863	370,375
	1,569,480	2,143,469
Application of funds		
Additions to fixed assets	227,298	465,261
Redemption of 8% sinking fund debentures	105,000	105,000
Investment in associated company	314,280	—
	646,578	570,261
Increase in working capital for the year	922,902	1,573,208
Working capital, beginning of year	7,317,894	5,744,686
Working capital, end of year	\$8,240,796	\$7,317,894

Balance Sheet as at September 26, 1975

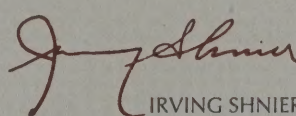
(with comparative figures for 1974)

	1975	1974
ASSETS		
Current		
Accounts receivable	\$11,194,759	\$12,380,119
Inventory	11,407,887	12,341,424
Prepaid expenses and sundry assets	327,114	208,676
	<u>22,929,760</u>	<u>24,930,219</u>
Investment in associated company (Note 2)	314,280	—
Fixed assets (Note 3)	788,355	740,343
Other assets, at cost less amortization	35,560	38,820
	<u>\$24,065,955</u>	<u>\$25,709,382</u>
LIABILITIES		
Current		
Bank indebtedness (secured)	\$ 8,532,529	\$ 7,748,654
Accounts payable	5,762,549	8,849,630
Due to associated company	—	315,321
Income taxes	304,886	659,720
Sinking fund payment due within one year	89,000	39,000
	<u>14,688,964</u>	<u>17,612,325</u>
8% Sinking fund debentures Series A (Note 4)	990,000	1,095,000
Deferred income taxes	190,000	114,000

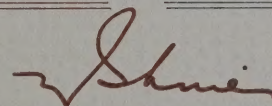
Shareholders' Equity

Capital stock		
Authorized		
1,500,000 shares without par value		
Issued and fully paid		
1,025,000 shares	2,493,750	2,493,750
Retained earnings	<u>5,703,241</u>	<u>4,394,307</u>
	<u>8,196,991</u>	<u>6,888,057</u>
	<u>\$24,065,955</u>	<u>\$25,709,382</u>

On behalf of the Board



IRVING SHNIER, Director



NORMAN SHNIER, Director

Statement of Retained Earnings

For the Year Ended September 26, 1975

(with comparative figures for 1974)

	1975	1974
Retained earnings, beginning of year		
As previously reported	\$4,267,907	\$2,807,748
Adjustments of prior years' income taxes (Note 7)	126,400	55,000
As restated	<u>4,394,307</u>	<u>2,862,748</u>
Net income for the year	1,308,934	1,531,559
Retained earnings, end of year	<u>\$5,703,241</u>	<u>\$4,394,307</u>

Notes To Financial Statements

September 26, 1975

1. Significant accounting policies

Inventory

Inventory is stated at the lower of cost and net realizable value, cost being determined substantially on a first-in, first-out basis.

Fixed assets

Fixed assets are stated at acquisition cost less accumulated depreciation.

Depreciation is provided on a straight-line basis at the following rates:

Machinery and equipment	— 10%
Office equipment	— 10%
Motor vehicles and fork lift trucks	— 30%
Leasehold improvements	— remaining life of the lease

Deferred income taxes

Income taxes charged to income represent both the portion currently payable and the portion which is deferred due to claiming depreciation for tax purposes in amounts which exceed the charge recorded in the accounts. The resultant deferrals of income tax are reflected on the balance sheet as deferred income taxes.

2. Investment in associated company

During the year the company advanced \$314,280 to an associated company, Profile Expanded Plastics Limited. We have been informed by the company's lawyers that an application is to be made to the Department of Consumer and Commercial Relations of the Province of Ontario to obtain authorization to issue redeemable, non-voting preference shares and that, upon receiving such authority, the advances will be applied as consideration for a 50% interest in the preference shares.

3. Summary of fixed assets

Leasehold improvements	\$ 294,824
Machinery and equipment	530,204
Office equipment	184,257
Motor vehicles	30,148
Fork lift trucks	332,316
	<u>\$1,371,749</u>

4. 8% Sinking fund debentures Series A

These are secured by a first floating charge on all the assets and property of the company and mature on February 1, 1984. Sinking fund payments are required on February 1 in each year as follows:

1976	\$ 89,000
1977 to 1979 inclusive	\$105,000
1980 to 1984 inclusive	\$135,000

The terms of the trust deed securing the debentures require that certain working capital requirements have to be met before any dividends may be paid.

5. Commitments

Lease obligations — Annual rentals payable under long-term leases are approximately \$870,000 during each of the years 1976 to 1984 inclusive.

Executive pension plan — The unfunded liability with respect to past service amounts to \$369,475 of which \$238,772 is payable in instalments on December 15 in each year as follows:

1975 to 1979 inclusive	\$25,240
1980 to 1984 inclusive	\$17,271
1985 to 1987 inclusive	\$ 8,739

The balance of \$130,703 may be paid in full or in part at any time prior to December 15, 1984 at the discretion of the company.

6. Remuneration of directors and officers

The aggregate direct remuneration of the directors and senior officers for the year ended September 26, 1975 was \$363,000.

7. Comparative figures

The comparative figures for the year ended September 27, 1974 have been restated in these financial statements to give effect to a management decision to claim the Manufacturing and Processing Profits Deduction from federal income taxes for the fiscal years 1973 and 1974. The income taxes recoverable of \$126,400 have been credited to retained earnings in 1975, \$71,400 being applicable to 1974 and \$55,000 to 1973.

	1975			1974
	Cost	Accumulated Depreciation	Net	Net
Leasehold improvements	\$ 294,824	\$130,686	\$164,138	\$170,678
Machinery and equipment	530,204	136,870	393,334	339,128
Office equipment	184,257	73,152	111,105	99,366
Motor vehicles	30,148	19,392	10,756	20,659
Fork lift trucks	332,316	223,294	109,022	110,512
	<u>\$1,371,749</u>	<u>\$583,394</u>	<u>\$788,355</u>	<u>\$740,343</u>

Auditors' Report

The Shareholders,
Gesco Distributing Limited.

We have examined the balance sheet of Gesco Distributing Limited as at September 26, 1975 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at September 26, 1975 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
November 24, 1975.

TOUCHE ROSS & CO.
Chartered Accountants

Gesco people

At G. E. Shnier Co., N.A.S.A. means National and Special Accounts. A special unit is structured to offer service tailored to the needs of multi-branch national retail organizations.



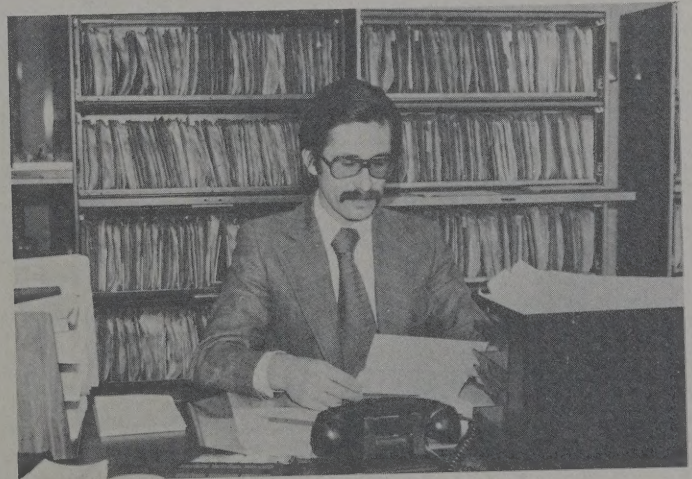
A customer service desk at Toronto office. Specialists are assigned to specific accounts in order to assure knowledgeable service and accurate billing.



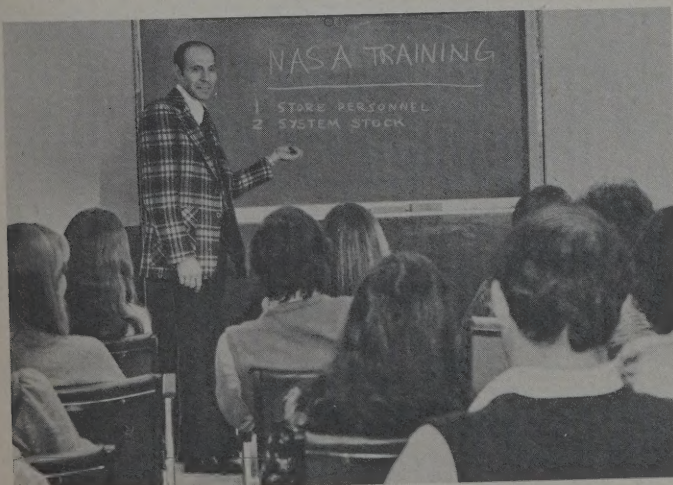
Display and Sample Service sets up displays and up dates samples at Dealer premises.



N.A.S.A. Detailist visits Mass Merchandising unit to familiarize staff in product knowledge.



N.A.S.A. claims and accounts clerk provides accurate credit for payments received and prompt response to claims.

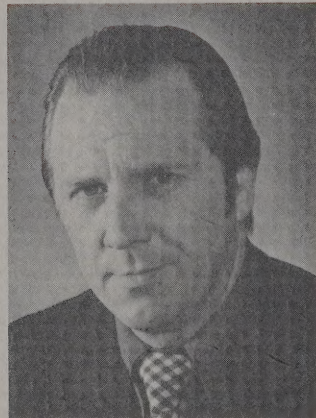


N.A.S.A. General Manager conducts training clinic on behalf of department store account.

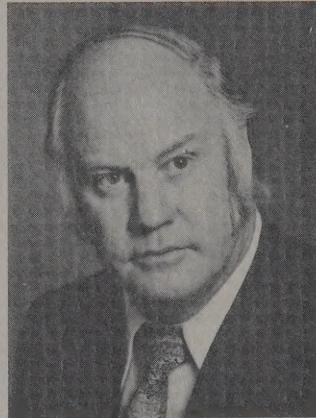


Computerized reports provide N.A.S.A. accounts with detailed information product by product, store by store, month by month.

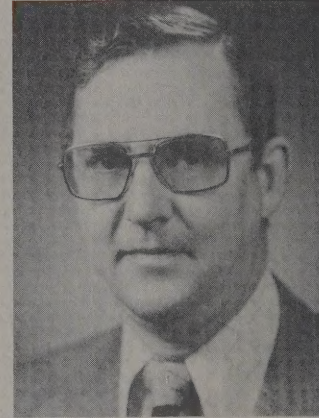
Major Managerial Promotions



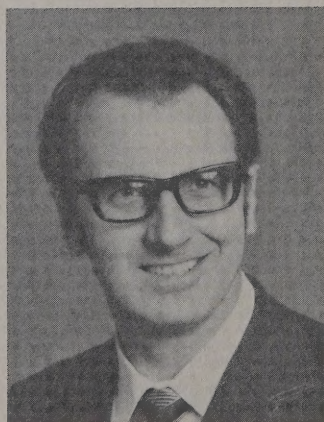
D. M. ALLARDYCE
Manager
Vidi Comp Data Services



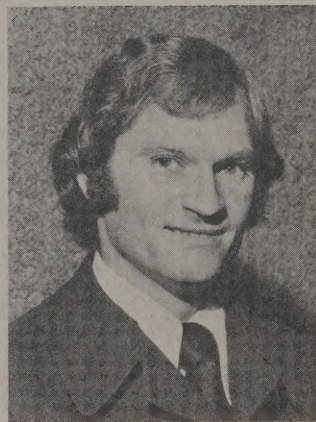
E. M. CASEY, M.C.I.
Treasurer and
National Credit Manager
Gesco Distributing Ltd.



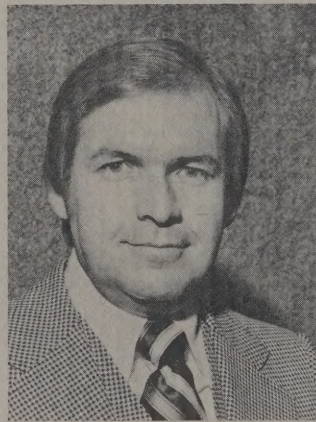
A. B. MacNEIL
Eastern Regional Supervisor
Gesco Distributing Ltd.
National Manager Carpets
Cardinal Industries



K. H. McMANUS
R.I.A., C.I.M., P.Mgr.
Manager Administration
and Controller
Gesco Distributing Ltd.



C. L. MOHR
Branch Manager, Calgary
G. E. Shnier Co.



R. MULOIN
Branch Manager, Winnipeg
G. E. Shnier Co.



D. C. TAYLOR
Branch Manager, Regina
G. E. Shnier Co.

GESCO is proud of the many people who have continued to rise through the Company's managerial ranks. Pictured here are seven long service managers who accepted further promotions during our fiscal 1975 year.

Gesco People...



Gesco Distributing Limited

Regional Supervisors

Western—E. Rosenhek, Vancouver

Central—A. Shnier, Winnipeg

Eastern—B. McNeil, Toronto

G. E. Shnier Co.

1965 Lawrence Avenue West,
Weston, Ontario

General Manager, P. Shnier

Managers:

Shnier Division I. Collinge
E. Adams

Eagle Division D. MacDonald
R. Watson

BRANCHES

3525 Foster Avenue,
Vancouver, B.C.
Manager, A. Langston

11937 145th Street,
Edmonton, Alberta
Manager, V. Lilley

3223 10th Street S.E.,
Calgary, Alberta
Manager, C. Mohr

310 4th Avenue East,
Regina, Saskatchewan
Manager, D. Taylor

1175 Sherwin Road,
St. James, Manitoba
Manager, R. Muloin

1094 Russell Street,
Thunder Bay, Ontario

97 Bessemer Road, Unit H,
London, Ontario

1137 Newmarket Street,
Ottawa, Ontario

6660 Cote de Liesse,
Montreal, Quebec
Manager, C. Lavallee

26 Gurholt Drive,
Burnside Industrial Park,
Dartmouth, Nova Scotia
Manager, I. Cohen

Cardinal Industries

Manager, B. Palansky

111 Westmore Drive,
Rexdale, Ontario

Vancouver, Edmonton,
Calgary, Regina, Winnipeg,
Ottawa, Montreal and
Dartmouth

General Foam and Cushion

Manager, B. Neskar

200 Snidercroft Road,
Concord, Ontario

6660 Cote de Liesse,
Montreal, Quebec

1520 Inkster Boulevard,
Winnipeg, Manitoba



Callaway



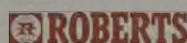
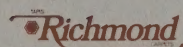
CARDINAL



Congoleum



Ozite



Products

Floor coverings, ceilings, carpets, carpet cushion, tiles, vinyl sheet flooring, cushioned flooring, rubber and vinyl cove base, ceiling tiles, ceramic floor and wall tile, hardware and specialty products, rubber and vinyl mats, stair treads, stair nosing, adhesives, installation and handling equipment, foam fabrications for furniture, bedding and toy manufacturers, custom packaging and fabricated head pillows and throw cushions, custom foam diecutting, moulded foam products.

B. F. Goodrich sponge carpet cushion.

Armstrong tiles, vinyl sheet flooring, cushioned flooring and ceiling tiles.

Callaway carpets.

Caravelle needle punch carpets.

Cardinal mosaics, ceramic wall tile, mats and matting, Karpet Kover.

Celanese carpets.

Congoleum fine floors.

GFC polyurethane, neocor, dencor, polyester fibre.

Ozite floor coverings.

Richmond carpets.

Seneca carpets.

Roberts supplies and installation tools.

007 adhesives.

